Exhibit No.:	
Issue(s):	Expenses – bad debt, EPB, Severance, Radioactive waste disposal, software maintenance
Witness:	Benjamin Hasse
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Ameren Missouri
File No.:	ER-2024-0319
Date Testimony Prepared:	January 17, 2025

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2024-0319

REBUTTAL TESTIMONY

OF

BENJAMIN HASSE

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

St. Louis, Missouri
January, 2025

TABLE OF CONTENTS

DIRECT TESTIMONY

OF

BENJAMIN HASSE

FILE NO. ER-2024-0319

I. INTRODUCTION

Q. Please state your name and business address.

A. Benjamin Hasse, Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. What is your position with Ameren Missouri?

A. I am employed by Ameren Missouri as Manager, Regulatory Accounting and the Cost Allocation Manual ("CAM").

Q. Please describe your educational background and employment experience.

A. I received a Bachelor of Science degree and a Master's degree in Accountancy from Truman State University in 2013. I am a licensed Certified Public Accountant in the State of Missouri. From 2013 to 2015, I worked for KPMG in St. Louis, Missouri, as an auditor. From 2015 to 2019, I worked for Ameren Services Company ("AMS") in various finance roles including in the General Accounting and Financial Services Department. From 2019 to 2022, I worked for Ameren Missouri as the CAM Manager. My primary responsibility was Ameren Missouri's compliance with Missouri's affiliate transaction rules. From 2022 to present, I have been working for Ameren Missouri as a Manager of Regulatory Accounting and continue my previous responsibilities as the CAM Manager.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony responds to the following issues: (1) Bad Debt Expense (Staff witness Blair Hardin); (2) Exceptional Performance Bonus (Staff witness Jane Dhority); (3) Severance (Staff witness Jane Dhority); (4) Radioactive Waste Disposal (Staff witness Benjamin Burton); and (5) Software Maintenance (Staff witness Paul Amenthor).

III. BAD DEBT EXPENSE

Q. Please describe Staff's adjustment for bad debt expense in this rate review?

A. In this case, Staff has, without a valid reason, abandoned the methodology they have utilized in the four most recent Ameren Missouri rate cases[1] of utilizing actual net write-offs[2] over a 12-month period to determine the level of bad debt expense[3] to include in the revenue requirement and is instead proposing to normalize these costs using a three-year average.

Q. What is your understanding of why Staff changed its historical methodology and instead proposed a three-year average for bad debt expense?

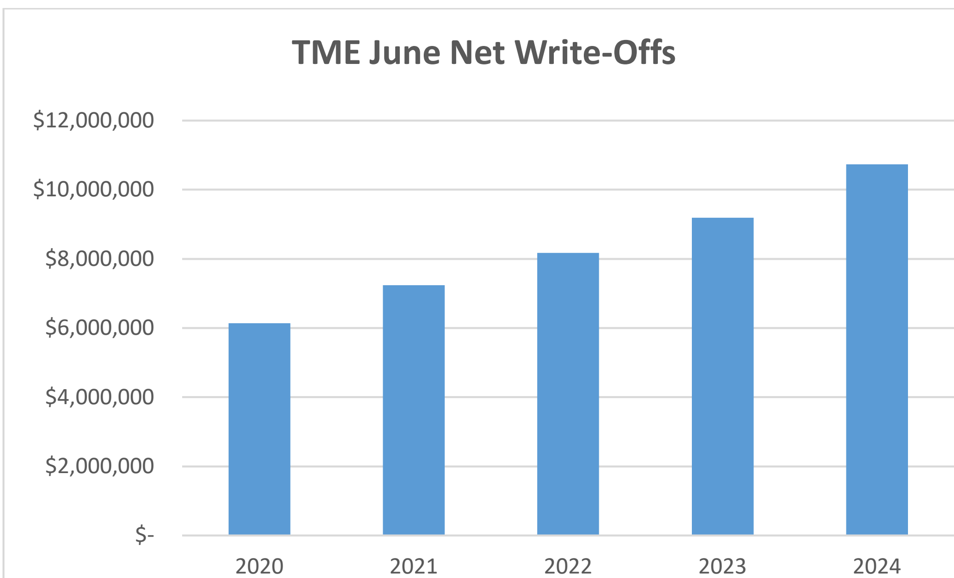
---

[1] In File Nos. ER-2022-0337, ER-2021-0240, ER-2019-0335, and ER-2016-0179.
[2] Write-offs, net of recoveries.
[3] Referred to by Staff as "uncollectibles expense."

A. Staff testifies that "an increase in uncollectible in 2023 due to economic factors and inflation rates"[4] is the reason why Staff claims a three-year average is more appropriate.

Q. Do you agree with Staff's position?

A. No. The level of bad debt expense the Company is experiencing is rising year after year. Utilizing Staff's own workpaper, the cost of net write-offs has risen in every year included in Staff's three-year average position. Furthermore, it has risen every year for the last five years, as shown in the graph (based on numbers in Staff's own workpapers) below.



It is inappropriate to propose a historical average for a category of cost that is consistently rising, as is true for bad debt. In a rising cost environment, the most recent year is the most appropriate historic level to include because the trend strongly suggests that during the time rates will be in effect, bad debt expenses will be higher than they were historically.

[4] File No. ER-2024-0319, Blair Hardin Direct Testimony, p. 11, ll. 5-6

Furthermore, Staff's current position is contradictory to the testimony of Staff's lead auditor on this case, who argues that normalization adjustments are required when the test year contains an abnormal event.[5] Nothing in the graph above suggests the levels of bad debt expense in 2023 are abnormal and therefore require normalization. The inconsistency of Staff's position on bad debt expense can be seen further when contrasted with Staff's position on vegetation management and infrastructure inspection expense levels. When a cost is consistently trending down, as is the case for vegetation management and infrastructure inspection expense, Staff does not take a historical average approach for purposes of setting rates, but instead recommends inclusion of the latest 12-month period[6] in order to pass those savings on to customers.

Additionally, Staff's position on the Company's 2023 levels of bad debt expense is based on the flawed presumption that the same or new economic factors and inflation pressures don't or won't exist in 2024 or in the future. In fact, another Staff member testified to the opposite. Staff witness Seoung Joun Won states "Notably, the inflation rate for electric utility services remains high"[7] and "This trend is compounded by current concerns regarding sustained inflation rates exceeding the Fed's target of 2.0%."[8]

Q. Did Staff propose any historic averaging in other recent Missouri rate cases related to its bad debt position?

A. Not to my knowledge. In Evergy Missouri West's ("EMW") recent rate review (File No. ER-2024-0189), Staff witness Antonija Nieto's Direct Testimony cites

---

[5] File No. ER-2024-0319, Lisa Ferguson Direct Testimony, p. 6, ll. 22-23
[6] File No. ER-2024-0319, Keith Majors Direct Testimony, p. 3, ll. 4-12
[7] File No. ER-2024-0319, Seoung Joun Won Direct Testimony, p. 14, l. 1
[8] File No. ER-2024-0319, Seoung Joun Won Direct Testimony, p. 13 ll. 14-15

"The method Staff and EMW use to normalize bad debts is unique[9] in that most recent experience of EMW is taken into account as opposed to a historical average."[10] In Liberty Utilities recent rate review (File No. GR-2024-0106), Staff witness Paul Amenthor proposes utilizing the test year levels of net write offs for setting rates.[11]

Q. Does Staff support its three-year average approach in this case by testifying that there are economic and inflation pressures that are somehow only impacting Ameren Missouri customers and not Evergy's or Liberty's?

A. No.

Q. Why is it inappropriate to base current levels of bad debt expense on net write-offs from years prior to the test year?

A. Bad debt expense is considered a function of revenues because it is strongly correlated to the amount of sales made by the Company, meaning that as the Company's sales revenue increases, so does the potential for write-offs. To further illustrate this relationship, as the number of customers served by the Company increases, so too will the number of customers unable to pay their bill. As the Company's rates increase, so too will the average write-off amount. It is inappropriate to base current levels of bad debt expense on net write-offs from years prior to the test year because the rates charged in those prior years are not the rates customers experience today.

Staff's proposal to utilize a three-year average of net write-offs to determine the level of bad debt expense to include in the revenue requirement ignores this relationship.

[9] Staff and EMW's method is unique in that they both develop a bad debt ratio based on actual net write offs and billed revenue during a 12-month period and apply that result to their position in the case on weather normalized retail revenues.
[10] File No. ER-2024-0189, Antonija Nieto Direct Testimony, p. 3 ll. 6-7
[11] File No. GR-2024-0106, Paul Amenthor Direct Testimony, p. 2 ll. 9-15.

Since July 2021, the beginning of the three-year period utilized by Staff to average the Company's net write-offs, the Commission has approved approximately $360 million of cumulative rate increases.[12] Given that bad debt expense is a function of revenues, it would be highly inappropriate to base current levels of bad debt expense on write-offs from a period when the Company's revenues were substantially lower.

IV. EXCEPTIONAL PERFORMANCE BONUS

Q. Staff has proposed to normalize Exceptional Performance Bonus payouts based on a historical three-year average. Does the Company agree with Staff's approach?

A. No. After five months of discovery in this case, Staff relied upon a workpaper from the Company's prior rate case, which only included calendar year Exceptional Performance Bonus ("EPB") payouts through 2022 to determine the three-year average. Staff did not even request this information for 2023 in time for it to be incorporated into Staff's direct testimony.[13] Had Staff requested and received the 2023 EPB payout data in time to allow it to make the appropriate calculation for Staff's direct testimony, Staff would have recognized that test year levels of $752,350 are consistent with prior periods, as shown in the chart below, making a normalization adjustment inappropriate.

	Test Year	2023	2022	2021
EPB Expense	$ 752,350	$ 789,398	$ 638,420	$ 736,729

[12] In File No. ER-2022-0337 and ER-2021-0240.
[13] The Company received data request No. 0310.1 on December 2, 2024, just one day before Staff's direct testimony was due. Staff had approximately five months to ask this data request, which as noted deals with a topic that has been examined in prior Ameren Missouri rate reviews.

V. SEVERANCE EXPENSE

Q. Staff has proposed to disallow all severance expenses. Does the Company agree with this adjustment?

A. No. Staff witness Dhority adopts a limited perspective on severance expenses by asserting that these costs are nonrecurring and claims that the Company recognizes costs savings through regulatory lag.[14] It is not appropriate to apply a rate making consideration to a single issue like severance expense without considering the relevant context. Severance expense is simply a part of payroll, as it is a form of compensation to employees. Payroll costs are typically established in a rate case using only filled positions at a point in time. From the first day an open position is filled subsequent to the true-up date in a rate case, negative regulatory lag begins to occur until the newly filled position is included in rates via a future rate case. The reverse is true as well, the Company can experience positive regulatory lag when filled positions included in the revenue requirement used to determine base rates become vacant. Staff's position on severance does not include quantification of the bigger payroll picture. Additionally, by taking this position Staff is neglecting to recognize other areas of the revenue requirement that the Company suffers from regulatory lag and is instead using regulatory lag in a vacuum by applying it to severance cost.

Staff also asserts that severance payments are not a reoccurring cost; however, this statement is incorrect. Some level of ongoing severance costs will exist and is normal for the Company to incur in the normal course of business, as shown by the table below.

[14] If the Company was in totality experiencing positive regulatory lag, neither the Company nor Staff would both be recommending an increase in annual revenues in this case of hundreds of millions of dollars.

	2019	2020	2021	2022	2023
Severance Costs	$ 656,400	$ 38,051	$ 230,178	$ 208,886	$ 718,725

[15]

Q. If the Commission were to reject the Company's method of utilizing the test year level of severance costs for purposes of setting rates, would you offer an alternative?

A. Given there is currently no clear trend in the Company's levels of severance costs, as displayed in the graph above, the best alternative to the Company's method is not Staff's method of disallowing the entire cost. The best alternative is to normalize severance costs over a period of five years, which would result in reducing the Company's test year levels of severance costs by $141,105 and including severance costs of $370,448 in the revenue requirement used to set rates.

VI. RADIOACTIVE WASTE DISPOSAL EXPENSE

Q. Please explain Staff witness Burton's position on radioactive waste disposal expense?

A. Staff witness Burton proposes normalizing this level of expense by utilizing a historical three-year average to set rates in this case.

Q. Do you agree with Staff's position?

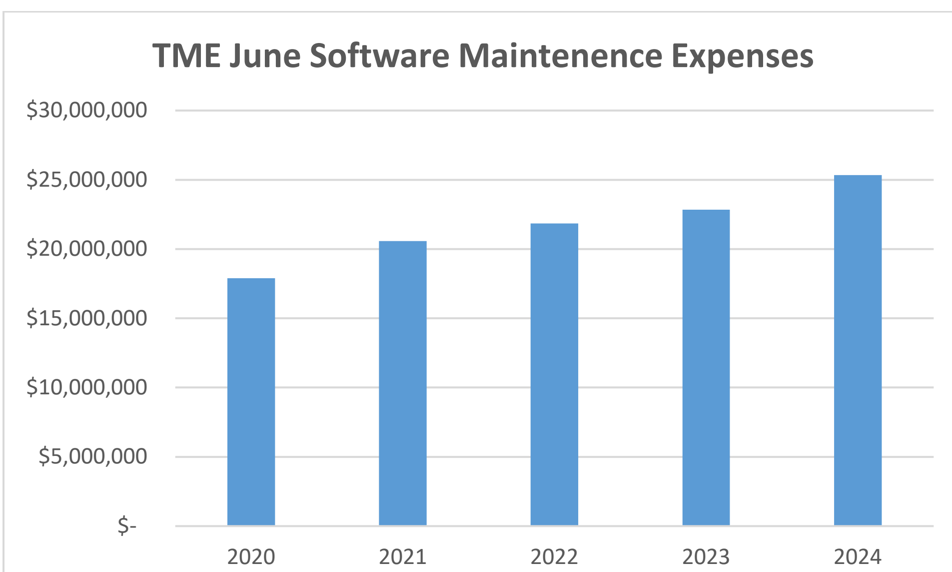
A. Although the Company disagrees with Staff's methodology, it accepts Staff's resulting adjustment for purposes of this case.

[15] The Company will update this graphic in true up direct testimony to include 2024 severance cost, which will display cost levels exist in 2024.

VII. SOFTWARE MAINTENANCE EXPENSE

Q. Staff adjusted software maintenance expense for contracts that expired on or before June 30, 2024. Do you agree with this adjustment?

A. No. While Staff reviewed a sample of existing contracts and noted that some of them expired during the test year, Staff sought no discovery of and made no adjustment to increase the revenue requirement for the many renewed or new agreements that replaced or supplemented those expired contracts. Staff's narrow focus on software maintenance contracts at a single point in time misses the reality of how the Company maintains its software. The Company's software maintenance program has over a hundred underlying contracts that have varying execution and expiring dates. Individual contracts are expiring, being renewed, or being established constantly. Staff's methodology to remove costs based on a snapshot of our existing contracts at a point in time is flawed in theory and it produces a false result in that it makes it appear that the Company's software maintenance costs are declining just because one set of contracts expired. As can be seen in the graph below, the Company's software maintenance costs have risen in each of the past five years.



In fact, seven of the eight individual contracts that underlie Staff's adjustment are related to expired contracts that have <u>already been renewed</u> and the Company will continue to incur the associated costs. This clearly demonstrates that Staff's methodology is flawed and should be rejected.

Q. Does this conclude your direct testimony?

A. Yes, it does

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Adjust Its Revenues for Electric Service.	)))	Case No. ER-2024-0319

AFFIDAVIT OF BENJAMIN HASSE

**STATE OF MISSOURI) **
) ss
CITY OF ST. LOUIS)

Benjamin Hasse, being first duly sworn states:

My name is Benjamin Hasse, and on my oath declare that I am of sound mind and lawful age; that I have prepared the foregoing *Rebuttal Testimony*; and further, under the penalty of perjury, that the same is true and correct to the best of my knowledge and belief.

/s/ Benjamin Hasse
Benjamin Hasse

Sworn to me this 9th day of January, 2025.